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AMENDED IN SENATE JULY 16, 2007

AMENDED IN ASSEMBLY JUNE 1, 2007

AMENDED IN ASSEMBLY APRIL 30, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1606

Introduced by Assembly Members Arambula and Lieu

February 23, 2007

An act to amend Sections 13998.5 and 15570 of, and to add Sections 13984.3 and 15570.2 to, the Government Code, relating to the California Economic Strategy Panel.

LEGISLATIVE COUNSEL'S DIGEST

AB 1606, as amended, Arambula. The California Economic Strategy Panel: state economic development strategy.

Existing law requires the Secretary of Labor and Workforce Development to convene a biennial economic strategy panel, which includes specified appointed members, for purposes of providing recommendations regarding a California Economic Development Strategic Plan and to review those recommendations made by the panel in its biennial economic development strategic plan document, as specified. Existing law requires the panel to address various specified matters of concern, including the development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. Existing law also requires the panel to submit a report of its findings

and recommendations to the Legislature no later than one year after its first meeting after January 1, 2005.

This bill would require the Secretary of Labor and Workforce Development to collaborate with the Secretaries of Business, Transportation and Housing and of Food and Agriculture in leading the preparation of a California Economic Development Strategic Plan and convening a California Economic Strategy Panel, as provided. The bill would modify the composition of the California Economic Strategy Panel by adding the Secretary of Business, Transportation and Housing, the Secretary of Food and Agriculture, and the Director of the Office of the Small Business Advocate, as members of the panel.

The bill would also include a review of significant industries and business clusters in each of the state's 9 regional economies within the matters of concern to be addressed in the panel's meetings, ~~and would require the panel to develop, instead of assessing the development of, a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy.~~

The bill would require the panel, as part of its deliberations on the plan, to consult with other state entities, including the Office of Military and Aerospace Support, the California Commission on Industrial Innovation, the California Transportation Commission, the California Community Colleges, the University of California, the California State University, the Workforce Investment Board, the Employment Training Panel, and the Energy Resources Conservation and Development Commission.

The bill would require the panel, as part of its deliberations on the plan, to include the findings and recommendations of the most recent version of the State Transportation Plan, including those portions related to trade infrastructure and goods movement, and the findings and recommendations of the most recent international trade and foreign investment strategy.

The bill would also revise and restructure provisions relating to the panel's review of the recommendations made in its economic development strategic plan document, as provided, and would require the panel to deliver copies of the recommended economic development plan, and to submit a biennial report of the activities of the panel *during the preceding 12 months*, to the Governor, the Chief Clerk of the Assembly, and the Secretary of the Senate for a distribution to the

relevant policy and fiscal committees, as specified. The bill would require the plan to be updated and submitted every ~~four~~ 5 years, rather than biennially.

The bill would also require the Secretary of Business, Transportation and Housing, with the assistance of the panel, to develop a strategy to attract new private investment to the state, as provided, and, by ~~February 15~~ *October 1*, 2009, to submit the private investment strategy to the Governor, the Chief Clerk of the Assembly, and the Secretary of the Senate.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 13984.3 is added to the Government
2 Code, to read:
3 13984.3. (a) The Secretary of Business, Transportation and
4 Housing, working with the California Economic Strategy Panel,
5 shall develop a strategy to attract new private investment to the
6 state.
7 (b) The secretary may hold business roundtables and
8 conferences, and use other devices he or she deems appropriate to
9 engage leaders in the business, industry, investment, and
10 community development sectors, to develop the strategy.
11 (c) (1) In addition to any other group or entity that the secretary
12 chooses to consult in preparation of the private investment strategy
13 developed pursuant to subdivision (a), the secretary shall consult
14 with key private investment partners assisting in the development
15 and implementation of the strategy.
16 (2) For purposes of this section, “key private investment
17 partners” includes, but is not limited to, representatives from the
18 banking and insurance industries, foundations, corporate and public
19 pension funds, venture capital funds, community development
20 financial institutions, and community development corporations.
21 “Key private investment partners” may include foreign and
22 out-of-state, as well as California-based, entities.
23 (3) The Business, Transportation and Housing Agency shall use
24 the California Economic Development Strategic Plan prepared
25 pursuant to Section 15570 to facilitate the development of the
26 implementation of the strategy.

1 (d) The private investment strategy shall do all of the following:

2 (1) Assess current trends and opportunities in global and
3 domestic investment practices.

4 (2) Assess the unique investment needs of banks, insurance
5 companies, pension funds, and high wealth individuals. The
6 assessment shall also include a review of the investment needs of
7 early stage private equity investors.

8 (3) Assess the state's positive and negative qualities as a place
9 to invest.

10 (4) Identify specific capital access needs of businesses, including
11 small businesses, and industries by economic region.

12 (5) Identify areas of the state that have historically been
13 underserved, but are currently in the process of becoming
14 successful emerging domestic markets.

15 (6) Identify programs, services, tax incentives, or actions taken
16 by other state governments or the federal government that could
17 be used by this state in attracting foreign investment and facilitating
18 wealth creation and low-income neighborhood revitalization.

19 (7) Identify and evaluate existing programs, services,
20 regulations, and incentives that are used, or could be used, to attract
21 foreign and domestic private investment.

22 (8) Identify opportunities to facilitate community-based efforts
23 to revitalize low-income neighborhoods in the state through
24 increased private investment.

25 (9) Make other recommendations to further the state's interest
26 in attracting private investment, including changes in applicable
27 regulations and statutes.

28 (10) Propose short-term and long-term strategies for this state
29 to attract more foreign and domestic investments including, but
30 not limited to, investments in historically underserved communities,
31 small businesses, and emerging industries and technologies.

32 (e) The private investment strategy may be prepared in
33 conjunction with, and submitted as part of, the California Economic
34 Development Strategic Plan prepared pursuant to Sections 15570
35 and 15570.2. The private investment strategy shall be consistent
36 with the provisions of the California Economic Development
37 Strategic Plan.

38 (f) By ~~February 15~~ *October 1, 2009*, the secretary shall submit
39 the private investment strategy to the Governor, the Chief Clerk
40 of the Assembly, and the Secretary of the Senate, where it shall

1 be distributed to the relevant policy and fiscal committees. The
2 private investment strategy shall be updated not less than once
3 every four years.

4 SEC. 2. Section 13998.5 of the Government Code is amended
5 to read:

6 13998.5. The Office of Military and Aerospace Support shall
7 do all of the following:

8 (a) Develop and recommend to the Governor and the Legislature
9 a strategic plan for state and local defense retention and conversion
10 efforts. The plan shall address the state's role in assisting
11 communities with potential base closures and those impacted by
12 previous closures. The office may coordinate with the California
13 Economic Strategy Panel and other state agencies, local groups,
14 and interested organizations on this strategic plan to retain current
15 Department of Defense installations, facilities, bases, and related
16 civilian activities.

17 (b) Conduct outreach to entities and parties involved in defense
18 retention and conversion across the state and provide a network
19 to facilitate assistance and coordination for all defense retention
20 and conversion activities within the state.

21 (c) Help develop and coordinate state retention advocacy efforts
22 on the federal level.

23 (d) (1) Conduct an evaluation of existing state retention and
24 conversion programs and provide the Legislature recommendations
25 on the continuation of existing programs, including, but not limited
26 to, the possible elimination or alteration of those programs. This
27 evaluation shall be transmitted to the Legislature.

28 (2) The office may provide recommendations to the Legislature
29 on the necessity of new programs for defense retention and
30 adequate funding levels.

31 (e) Utilize and update the plan prepared by the Defense
32 Conversion Council as it existed on December 31, 1998, to
33 minimize California's loss of bases and jobs in future rounds of
34 base closures. This plan shall include, but not be limited to, all of
35 the following:

36 (1) Identification of major installations in California.

37 (2) Determination of how best to defend existing bases and base
38 employment in this state.

39 (3) Coordination of retention activities with communities that
40 may face base closures.

1 (4) Development of data and analyses on bases in this state.

2 (5) Coordination with the congressional delegation, the
3 Legislature, and the Governor. With the consent of the appropriate
4 authority, the office may temporarily borrow technical, policy,
5 and administrative staff from other state agencies, including the
6 Legislature.

7 (f) Serve as the primary state liaison with the Department of
8 Defense and its installations in this state. In order to maximize the
9 mission use of the installations, the Office of Military and
10 Aerospace Support shall assist in resolving any disputes or issues
11 between the Department of Defense and state entities.

12 (g) Review actions or programs by state agencies that may affect
13 or impact Department of Defense installations or the state's military
14 base retention and reuse activities and recommend to the Governor
15 and the Legislature actions that may be taken to resolve or prevent
16 similar problems in the future.

17 (h) Conduct outreach to entities and parties involved in the
18 aerospace industry and associated basic and applied research, and
19 provide a network to facilitate assistance and coordination for
20 activities designed to promote, foster, and increase aerospace
21 enterprise in California pursuant to subdivision (a) of Section
22 13999.2.

23 (i) Assist the California Economic Strategy Panel in the
24 development of the California Economic Development Strategic
25 Plan by helping to identify the needs of communities impacted by
26 closed military bases and the economic development opportunities
27 provided by the aerospace industry.

28 (j) Where funds and resources are available, the office may
29 undertake all of the following activities:

30 (1) Provide a central clearinghouse for all base retention or
31 conversion assistance activities, including, but not limited to,
32 employee training programs and regulation review and permit
33 streamlining.

34 (2) Provide technical assistance to communities with potential
35 or existing base closure activities.

36 (3) Provide a central clearinghouse for all defense retention and
37 conversion funding, regulations, and application procedures for
38 federal or state grants.

39 (4) Serve as a central clearinghouse for input and information,
40 including needs, issues, and recommendations from businesses,

1 industry representatives, labor, local government, and communities
2 relative to retention and conversion efforts.

3 (5) Identify available state and federal resources to assist
4 businesses, workers, communities, and educational institutions
5 that may have a stake in retention and conversion activities.

6 (6) Provide one-stop coordination, maintain and disseminate
7 information, standardize state endorsement procedures, and develop
8 fast-track review procedures for proposals seeking state funds to
9 match federal defense conversion funding programs.

10 (7) Maintain and establish databases in such fields as
11 defense-related companies, industry organization proposals for
12 the state and federal defense industry, community assistance,
13 training, and base retention, and provide electronic access to the
14 databases.

15 SEC. 3. Section 15570 of the Government Code is amended
16 to read:

17 15570. (a) The Secretary of Labor and Workforce
18 Development, working in collaboration with the Secretaries of
19 Business, Transportation and Housing, and of Food and
20 Agriculture, shall lead the preparation of a California Economic
21 Development Strategic Plan. In fulfilling this duty, the secretaries
22 shall meet all the requirements of this section.

23 (b) The Secretary of Labor and Workforce Development shall
24 convene a California Economic Strategy Panel to provide
25 recommendations regarding the development of the California
26 Economic Development Strategic Plan.

27 (c) (1) The panel shall conduct meetings in Sacramento, all
28 cities of the state with populations over 500,000, and in major
29 cities of other regions of California as designated by the secretaries.

30 (2) The Secretary of Labor and Workforce Development,
31 working in collaboration with the Secretaries of Business,
32 Transportation and Housing, and of Food and Agriculture, shall
33 invite businesses, labor unions, organizations representing the
34 interests of diverse ethnic and gender groups, local government
35 leaders, academic economists and business professors, chambers
36 of commerce and other business organizations, government
37 agencies, and key industries to provide advice on economic
38 development issues and to contribute to the preparation of the
39 recommended economic strategy.

(d) As part of its deliberations on the California Economic Development Strategic Plan, the panel shall, at a minimum, assess the following:

(1) Strengths and weaknesses of the California economy and the state's prospects for future economic prosperity.

(2) Significant industries and business clusters in each of the state's nine regional economies, including those that are emerging or declining.

(3) Emerging and declining industries in other states and around the world.

(4) Effectiveness of California's economic development programs in creating and retaining jobs and attracting industries.

(5) Adequacy of state and local physical and economic infrastructure, including workforce development capacity.

(6) Government impediments to economic development.

(e) As part of its deliberations on the California Economic Development Strategic Plan, the panel shall, at a minimum, consult with other state entities, including, but not limited to, the Office of Military and Aerospace Support, the California Commission on Industrial Innovation, the California Transportation Commission, the California Community Colleges, the University of California, the California State University, the Workforce Investment Board, the Employment Training Panel, and the State Energy Resources Conservation and Development Commission.

(f) As part of its deliberations on the California Economic Development Strategic Plan, the panel shall, at a minimum, review and include, as appropriate, any of the following:

(1) The findings and recommendations of the most recent version of the State Transportation Plan, including those portions related to trade infrastructure and goods movement.

(2) The findings and recommendations of the most recent international trade and foreign investment strategy.

~~(g) The panel shall develop a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. In developing a system of accountability, the panel shall, by using only existing resources and without future budget augmentation made for this purpose, do all of the following:~~

~~(1) Develop a standard definition of economic development.~~

1 ~~(2) Develop, for use in state law, standard measurements of real~~
2 ~~per capita income, job growth, new business creation, private sector~~
3 ~~investment, minority entrepreneurship, and income inequality.~~

4 ~~(3) Survey and evaluate efforts in other states to develop~~
5 ~~accountability measures for public investments in economic~~
6 ~~development.~~

7 ~~(4) Determine whether a return on investment calculation is~~
8 ~~feasible for public investments in economic development.~~

9 ~~(5) Conduct a comparative study of various methodologies for~~
10 ~~preparing the economic development sections of a state budget,~~
11 ~~including unified functional budget, zero-based budget, and~~
12 ~~performance-based budget methodologies.~~

13 ~~(6) Study the feasibility of statutory disclosure requirements on~~
14 ~~specified publicly funded subsidies to private sector businesses.~~

15 ~~(7) Submit a report of its findings and recommendations~~
16 ~~regarding this subparagraph to the Legislature no later than one~~
17 ~~year after its first meeting after January 1, 2005.~~

18 ~~(h)~~

19 ~~(g) The panel shall be composed of the following 18 members:~~

20 ~~(1) The Secretary of Labor and Workforce Development, who~~
21 ~~shall serve as the chairperson of the panel.~~

22 ~~(2) The Secretary of Business, Transportation, and Housing.~~

23 ~~(3) The Secretary of Food and Agriculture.~~

24 ~~(4) Eight persons appointed by the Governor, at least one of~~
25 ~~whom shall have a background in local economic development.~~

26 ~~(5) The Speaker of the Assembly or his or her designee.~~

27 ~~(6) The President pro Tempore of the Senate or his or her~~
28 ~~designee.~~

29 ~~(7) The Minority Leader of the Assembly or his or her designee.~~

30 ~~(8) The Minority Leader of the Senate or his or her designee.~~

31 ~~(9) One person appointed by the Speaker of the Assembly.~~

32 ~~(10) One person appointed by the Senate Committee on Rules.~~

33 ~~(11) The Director of the Office of the Small Business Advocate.~~

34 ~~(i)~~

35 ~~(h) (1) Members of the panel shall be representatives of state~~
36 ~~government, business, economic developers, labor, finance, and~~
37 ~~academic institutions, and shall be broadly reflective of the state's~~
38 ~~population as to gender, ethnicity, and geographic residence within~~
39 ~~California.~~

(2) At least one-half of all the persons on the panel shall be from the private sector and at least two appointments shall be from private businesses with less than 50 employees. At least two appointments shall be from rural areas of the state.

~~(j)~~

(i) Beginning January 1, 2004, appointments to the panel shall be for four-year terms, except that the Governor's appointments made pursuant to paragraph (4) of subdivision (h) shall be made as follows:

(1) Four members shall be appointed on January 1, 2004, and every four years thereafter.

(2) Four members shall be appointed on January 1, 2004, for a two-year term.

(3) Upon the expiration of the initial appointments made pursuant to paragraph (2), four members shall be appointed on January 1, 2006, and every four years thereafter.

~~(k)~~

(j) The panel shall deliver copies of the recommended California Economic Development Strategic Plan to the Governor, the Chief Clerk of the Assembly, and the Secretary of the Senate, where it shall be distributed to the relevant policy and fiscal committees. The report shall also be posted on the Internet Web sites of the panel and of each of the secretaries.

~~(t)~~

(k) Beginning in *October* 2008, and in each succeeding ~~four-year~~ *five-year* cycle, the panel shall update and submit the California Economic Development Strategic Plan, on or before October 31 of the ~~fourth~~ *fifth* year of each cycle.

~~(m) The panel shall submit a biennial report on the~~

(l) *Beginning in January 2009, the panel shall submit a biennial report on the preceding 12 months of activities of the California Economic Strategy Panel to the Chief Clerk of the Assembly and the Secretary of the Senate where it shall be distributed to the relevant policy and fiscal committees. The report shall be submitted by October 31 of each succeeding second year.*

SEC. 4. Section 15570.2 is added to the Government Code, to read:

15570.2. (a) The California Economic Development Strategic Plan shall provide analysis and make strategic recommendations to support the sustainable economic growth of the state. The plan

1 shall include short-term, mid-term, and long-term
2 recommendations.

3 (b) The California Economic Development Strategic Plan shall
4 include, but not be limited to, all of the following:

5 (1) A statement of economic goals for the state.

6 (2) An assessment of the regional, state, national, and global
7 economic trends that affect California's economy.

8 (3) An assessment of the needs of business and industry,
9 especially small size companies, to grow and prosper in California.

10 (4) An evaluation of the effectiveness of the state's economic
11 and workforce development programs.

12 (5) A prioritized list of significant short-term and mid-term
13 issues gathered from, among other activities, California Economic
14 Strategy Panel meetings, regional outreach meetings, and
15 contributions from key stakeholder groups.

16 (6) A list of current and emerging key industries, by region, in
17 which the state shall focus its economic development efforts.

18 (7) Proposals for legislation, regulations, and administrative
19 reforms necessary to improve the business climate and economy
20 of the state.

21 (8) ~~A system of accounting~~ *process* that can be used to ~~track,~~
22 ~~evaluate,~~ *track* and report on the implementation and success of
23 the plan.

24 (9) Short-term, mid-term, and long-term strategies to encourage
25 job growth and economic development in this state created by state
26 agencies, offices, boards, and commissions responsible for
27 economic development.

28 (c) This section does not limit the scope of the plan. The state's
29 economic development strategy shall be a comprehensive document
30 that guides state activities and supports the immediate and
31 long-term economic growth of the state.

32 (d) The plan shall be consistent with the goals and objectives
33 in the California Environmental Goals and Policy Report. The plan
34 shall provide guidance to all state agencies, departments, boards,
35 and commissions that develop plans, strategies, and other planning
36 documents related to infrastructure and economic and workforce
37 development.